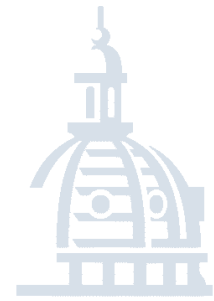


Fiscal Note

Fiscal Services Division



SF 389 – Health Care Omnibus II (LSB1747SV.1)

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Fiscal Note Version – As amended and passed by the Senate

Description

Senate File 389 as amended and passed by the Senate, creates the Iowa Choice Insurance Exchange to design and implement health care coverage for Iowans, exempts the value of health insurance from State income tax for dependents between the ages of 18 and 25, provides health insurance coverage for all children up to 300.0% of federal poverty level, adds health care provider offices to the existing list of eligible entities under the Volunteer Health Care Provider Program (VHCPP) under the Department of Public Health, establishes the Health Care Workforce Shortage Fund under the Iowa College Student Aid Commission, Department of Public Health, and the Governing Group of the Iowa Health Care Collaborative Safety Net Provider Network, modifies various pharmaceutical related provisions, and implements several provisions related to transparency including establishing the Office of Health Care Reform within the Department of Public Health.

Total Fiscal Impact

The total fiscal impact of Senate File 389 is an estimated General Fund cost of \$8.2 million for FY 2010 and \$22.2 million for FY 2011. Assumptions and fiscal impact by Division are discussed below.

Senate File 389	FY 2010	FY 2011
Division I - Insurance Exchange		
Studies	\$ 125,000	\$ 125,000
Personnel Services (1.50 FTEs in FY 2010; 2.50 FTEs in FY 2011)	130,000	210,000
Contract Consultants (2 to 3 per fiscal year)	250,000	250,000
	<u>\$ 505,000</u>	<u>\$ 585,000</u>
Division II - Insurance Coverage		
Tax Changes	\$ 314,000	\$ 314,000
Division III - Covering Children		
Covering Children	\$ 5,723,169	\$ 18,793,757
Personnel Services (17.00 FTE positions)	605,596	635,876
Supplemental Dental	510,249	1,314,234
Interpreter Services	237,173	267,360
	<u>\$ 7,076,187</u>	<u>\$ 21,011,227</u>
Division IV - Volunteer Health Care Providers		
Personnel Services (0.25 FTE position)	\$ 20,000	\$ 20,000
Division V - Health Care Workforce Support Initiative		
Personnel Services (2.00 FTE positions)	\$ 177,000	\$ 177,000
Division VI - Pharmaceutical-Related Provisions		
No impact	\$ -	\$ -
Division VII - Health Care Transparency		
Personnel Services (1.00 FTE position)	\$ 105,000	\$ 105,000
Total	<u>\$ 8,197,187</u>	<u>\$ 22,212,227</u>
Total FTE positions	<u>21.75</u>	<u>22.75</u>

Assumptions and Fiscal Impact by Division

Division I creates the Iowa Choice Insurance Exchange as a not-for-profit corporation under the umbrella of the Insurance Division within the Department of Commerce. The Exchange is required to establish a ten-member Board of Directors appointed by the Governor and approved by the Senate. The Exchange will also consist of eight ex-officio members including department directors and legislators. The Exchange is required to submit a plan of operation to the Insurance Commissioner. The Exchange is required to design and implement a health care coverage program called Iowa Choice to offer private health care coverage that meets certain minimum standards of quality and affordability with options to purchase at least three levels of benefits. The Exchange will also design and administer a subsidy program for payment of premiums for health care coverage for low-income people that complements Medicaid and includes cost-sharing by the insured using a sliding scale based on income utilizing the federal poverty level guidelines. The Bill permits the voting members of the Exchange to hire independent consultants to assist in carrying out the provisions in Division I.

Assumptions

- The Insurance Division does not currently have the resources to meet the specialized study and development requirements provided for in the Bill and estimates it would cost up to \$250,000 over two fiscal years to contract for those services.
- The Division would employ 1.0 FTE position in FY 2010 and 2.0 FTE positions in FY 2011. These would be Insurance Examiner positions.
- The Division would employ 0.5 FTE positions in FY 2010 and FY 2011 as the Commissioner's designee to the Exchange.
- The Exchange would employ two to three independent consultants at an estimated cost to the General Fund of \$250,000 for FY 2010 and FY 2011.

Fiscal Impact of Division I: The fiscal impact of Division I is an estimated General Fund cost of \$505,000 for FY 2010 and \$585,000 for FY 2011.

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Division II adds a provision to allow full-time student residents of the State up to 25 years of age to re-enroll in previously existing dependent coverage of their parents under State-regulated insurance plans. Current law only covers continuation of existing coverage. The Division also specifies that the value of a nonqualified tax dependent's health insurance coverage is not subject to Iowa State income tax.

Assumptions

- It is estimated that the average State tax benefit of receiving health insurance to an individual is \$155 per year.
- Wellmark Blue Cross and Blue Shield of Iowa estimates that between 750 and 3,300 individuals will take advantage of this option statewide.
- An estimated cost to the State ranging between \$400,000 and \$1.8 million was included in House File 2539 (FY 2009 Health Care Reform Act) for continuing health insurance coverage for unmarried dependent children that are full-time college students up to the age of 25. By adding the re-enrollment provision it is not anticipated additional funds will be needed.

Fiscal Impact of Division II: The fiscal impact of Division II is an estimated reduction in General Fund tax revenue of \$314,000 for FY 2010 and FY 2011.

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Division III includes the following provisions:

- Requires the Department of Human Services to provide Medicaid or hawk-i coverage to all children under the age of 19 that meet eligibility requirements if federal participation is, or becomes, available.
- Requires the Department of Human Services to expand Medicaid coverage for pregnant women with income up to 300.0% of poverty level beginning July 1, 2009.
- Requires the Department of Human Services to implement a number of provisions to improve retention and access including, translation and interpreter services, development of consistent application and renewal process for both Medicaid and hawk-i, presumptive eligibility, and paperless verification at renewal.
- Allows the hawk-i program to implement a supplemental dental-only program to children with private coverage that would otherwise be eligible for hawk-i.
- Directs the Department of Human Services to work with the Department of Public Health to apply for federal grants to promote outreach activities.
- Requires the Department of Revenue to include a provision on the Iowa income tax form to indicate if taxpayers have uninsured children and provide notification to parents of children that would be eligible for State programs based on income levels.

Assumptions

- With the implementation of the enrollment and retention strategies in the Bill, it is estimated that 90.0% of the 27,510 eligible children will enroll in the Medicaid, Medicaid Expansion, or the hawk-i Program over the next two years, beginning July 1, 2009.
- The Department of Human Services will expand the hawk-i Program to children of families with income up to 300.0% of the Federal Poverty Level (FPL) with federal financial participation.
- Approximately 9,700 Medicaid members in FY 2010 and 10,000 Medicaid members in FY 2011 will access two hours of translation or interpreter services at \$40 per hour.
- The Department will need an additional 17 field staff to handle the increased caseload.
- Some of the renewal and retention strategies will have a cost to the Department to implement, but the Department is unable to estimate the impact.
- The Department of Revenue does not estimate it will need additional funds to make the required changes to the State income tax form.
- The State share of the Federal Medical Assistance Percentage (FMAP) is 30.36% for FY 2010 and 33.62% for FY 2011. This includes the federal FMAP adjustment from the American Recovery and Reinvestment Act of 2009.
- The State's share of the enhanced FMAP for the hawk-i Program is 25.54% for FY 2010 and 25.95% for FY 2011.

Fiscal Impact of Division III: The fiscal impact of Division III is an estimated cost to the General Fund of \$7.1 million for FY 2010 and \$21.0 million for FY 2011.

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Division IV adds health care provider offices to the existing list of eligible entities for the Volunteer Health Care Provider Program (VHCPP) under the Department of Public Health.

Assumption: Expanding the eligibility to health care provider offices in the VHCPP will increase the workload of the DPH staff person currently working on the program by 0.25 FTE from 0.6 FTE for FY 2010.

Fiscal Impact of Division IV: The fiscal impact of Division IV is an estimated cost to the General Fund of \$20,000 for FY 2010 and FY 2011.

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Division V includes the following provisions:

- Establishes the Health Care Workforce Shortage Fund that will consist of four accounts under the control of the Iowa College Student Aid Commission (ICSAC), the Department of Public Health (DPH), and the Iowa Collaborative Safety Net Provider Network. State appropriations will be split evenly among the accounts and administrative expenses are limited to no more than 5.0% of the balance of each account, to a maximum of \$100,000 per account.
- Directs the DPH to establish a Medical Residency Training State Matching Grants Program.
- Directs the ICSAC to establish a Health Care Professional Incentive Payment Program with assistance from the Des Moines University Osteopathic Medical Center. The Commission is also directed to establish a Nurse Educator Incentive Payment Program and a Nurse Faculty Fellowship Program.
- Directs the Governing Group of the Iowa Collaborative Safety Net Provider Network to establish a Safety Net Provider Incentive Payment Program.
- Directs the DPH to collaborate with the Department of Workforce Development and other health care stakeholders to apply for federal money allocated in the federal American Recovery and Reinvestment Act (ARRA) of 2009 for health care workforce initiatives.

Assumptions

- The Bill does not provide for a State appropriation for funding the Health Care Workforce Shortage Fund. However, the Bill permits federal funding, private gifts and grants, State General Fund appropriations, and other public revenue to be deposited into the Fund as it becomes available.
- The DPH will employ 1.0 FTE position for a Community Health Consultant to administer the Medical Residency Training Program and assist ISCAC and the Governing Group with the Administrative Rule making process.
- The ISCAC will employ 1.0 FTE position to develop and administer the Health Care Professional and Nurse Educator Incentive Payment Programs and the Nurse Educator Fellowship Program and subsequent accounts.
- The Governing Group will utilize existing State appropriations received annually via the Health and Human Resources Appropriations Act to implement and administer the Safety Net Providers Recruitment and Retention Initiatives.

Fiscal Impact of Division V: The fiscal impact of Division V is an estimated General Fund cost of \$177,000 for FY 2010 and FY 2011.

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Division VI includes the following provisions:

- Requires all health insurance plans that are subject to regulation by the Commissioner of Insurance to examine the feasibility of including medication therapy management as a covered benefit under individual and group health insurance policies.
- Directs the Board of Pharmacy under the Department of Public Health to establish an Evidence-Based Prescription Drug Education Program. The Board is directed to charge fees for participation in the Program.
- Prohibits gifts to health care practitioners that participate in State health programs. This includes gifts from manufacturers and wholesalers of prescription drugs, biologics, and medical devices, with limited exceptions. The Department of Administrative Services (DAS) is charged with collecting information about gifts excluded from the ban and providing an annual report to the General Assembly by January 15.
- Provides for safeguarding the confidentiality of prescription information also known as data mining.

Assumptions

- Costs for studying and reporting the feasibility of including medication therapy management as a covered benefit will be incurred by the health insurance plan providers.
- The Board of Pharmacy will incur start-up costs with existing funds or seek outside funding to implement the Evidence-Based Prescription Drug Education Program.
- The Board of Pharmacy will not have the expertise to develop, implement, or administer the Evidence-Based Prescription Drug Education Program. It is assumed that the Board will contract with a third-party entity for the Program for an estimated cost of \$150,000 to be funded with outside resources or fees from participants once the Program is implemented.
- The DAS will implement fees to offset expenditures related to processing and reporting the disclosure of information required of specified manufacturers and wholesalers of prescription drugs.

Fiscal Impact of Division VI: There is no fiscal impact for Division VI in FY 2010 and FY 2011.

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Division VII includes the following provisions:

- Establishes the Office of Health Care Reform within the Department of Public Health. The Office will coordinate and oversee current health care reform activities established in House File 2539 (2008 Health Care Reform Act) and monitor State and federal health care reform initiatives.
- Directs the DPH to develop a memorandum of understanding (MOU) to utilize the Iowa Hospital Association to act as the Department's intermediary in collecting, maintaining, and disseminating specified information.
- Establishes a Health Care Quality and Cost Transparency Workgroup and provides for the membership and duties. The Workgroup will provide a report to the Governor and the General Assembly by December 15, 2009.

Assumptions

- The DPH will employ 1.0 FTE position as an Executive Officer to administer the Office's activities.
- The DPH is currently finalizing a contract and MOU with the Iowa Hospital Association to provide the services required in the Bill therefore there will be no additional cost.
- The DPH will provide staffing and administrative assistance for the Health Care Quality and Cost Transparency Workgroup at an estimated cost of \$16,000.

Fiscal Impact of Division VII: The fiscal impact of Division VII is an estimated General Fund cost of \$109,000 for FY 2010 and FY 2011.

Sources

Department of Human Services
Department of Public Health
Iowa Insurance Division
Iowa College Student Aid Commission
Department of Administrative Services
Department of Revenue
Wellmark Blue Cross and Blue Shield of Iowa
Legislative Services Agency analysis

/s/ Holly M. Lyons

March 30, 2009

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Section 2.56, Code of Iowa](#). Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.
